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IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,
Petitioner,

v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,
Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether a court of appeals has jurisdiction under 28 U.S.C. § 1292(b) to decide an interlocutory appeal by formulating and answering a question that was neither certified as a controlling question nor decided by the district court. (This is the same question the Court asked the parties to brief when granting certiorari in *Yamaha Motor Corp., U.S.A. v. Calhoun*, 115 S. Ct. 1998 (1995), except that in *Yamaha* the uncertified question was decided by the district court and here it was not.)

2. If the answer to the preceding question is in the affirmative, whether the concept of "judicial estoppel"—which is expanding rapidly in the lower federal courts without guidance from this Court—can be used to expand upon the specific provisions of Rule 13 regarding compulsory and permissive counterclaims, so as to prohibit assertion of a claim which remains objectively permissive under Rule 13 standards and which the claimant has consistently characterized as such in both the present and prior litigation.

PARTIES BELOW

In addition to the parties listed in the caption, Sears Roebuck & Co. ("Sears") was also a defendant in the District Court and a party in the Court of Appeals. Sears was not, however, a party to the counterclaim that is the subject of this Petition. Sears will be filing a separate petition for a writ of certiorari raising a question relating to a claim brought by the Respondents against Sears, but not against the present Petitioner. The questions in the two petitions, like the claims to which they relate, are entirely distinct. This Petition is, however, also being served upon Sears.

STATEMENT PURSUANT TO RULE 29.1

Izumi Seimitsu Kogyo Kabushiki Kaisha has no parent or subsidiary companies.

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PETITION FOR WRIT OF CERTIORARI

Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi") petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit insofar as it affirmed the District Court's dismissal of Izumi's antitrust counterclaims against the Philips Respondents (collectively "Philips").[1]

OPINIONS BELOW

The opinion of the Court of Appeals (App. A, 1a-18a) is reported at 55 F.3d 592. The District Court's opinions stating its grounds for dismissing Petitioner's antitrust

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[1] The three Respondents are affiliated companies whose individual roles are immaterial for present purposes.

counterclaims and denying reconsideration of that dismissal, all unreported, are set forth as Appendices B, C and D (App. 19a-41a).[2]

JURISDICTION

The judgment of the Court of Appeals was entered on May 10, 1995. A timely petition for rehearing and suggestion for rehearing in banc was denied on July 6, 1995. (App. G, 49a-50a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

RULE INVOLVED

Fed. R. Civ. P. 13 provides as follows in pertinent part:

> Rule 13. Counterclaim and Cross-Claim
>
> (a) Compulsory Counterclaims. A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction . . . .
>
> (b) Permissive Counterclaims. A pleading may state as a counterclaim any claim against an opposing party not arising out of the transaction or occurrence that is the subject matter of the opposing party's claim.

STATEMENT

The ultimate issue here is whether Izumi has been properly barred, as a result of having been a defendant in prior patent litigation in the Southern District of Florida, from asserting its antitrust claims against Philips as counterclaims to Philips' present patent claim against Izumi in

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[2] Only pages 40a-41a of Appendix D pertain to the counterclaim issue.

the Northern District of Illinois.[3] The District Court held that Izumi's antitrust claims were barred because the compulsory counterclaim rule (Fed. R. Civ. P. 13(a)) obliged Izumi to bring them in the Florida patent lawsuit. The District Court certified this compulsory counterclaim question for interlocutory appeal under 28 U.S.C. § 1292(b), and the Court of Appeals accepted it for review. (App. F, 45a-48a). The Court of Appeals, however, eschewed decision of the certified question—over a dissent that would have answered it in Petitioner's favor—but affirmed on an alternative theory that Izumi was "judicially estopped" to raise the counterclaims now even if they were not compulsory counterclaims in the prior litigation. The panel majority thus decided this interlocutory appeal on a ground that was not certified under § 1292(b), was never raised or considered by the District Court and was never briefed in the Court of Appeals (except on the petition for rehearing which was denied without opinion).

The Prior Florida Action

In the Florida action, Philips alleged that Windmere Corporation, a U.S. distributor of rotary electric shavers manufactured by Izumi, had infringed a Philips patent relating to the spacing of cutter blades.[4] Philips also charged Windmere with trade dress infringement, claiming that the exterior design of the Windmere shavers was a copy of Philips' shaver design. Izumi was named as a codefendant on the patent claim on the theory that it had induced infringement, but was not sued on the trade dress claim. Windmere filed antitrust counterclaims against Philips, which focused primarily on Philips' conduct in response to Windmere's 1984 entry into the U.S. rotary

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[3] The District Court has jurisdiction over Philips' patent and unfair competition claims under 28 U.S.C. § 1338, and over Izumi's antitrust counterclaims under 28 U.S.C. § 1337.

[4] U.S. Patent No. 4,227,301 ("the '301 patent").

shaver market. Izumi did not file any antitrust counterclaim in the Florida litigation.[5]

The ultimate result after two trials[6] was that the jury found for Philips on its patent infringement claim, awarding only $6,500, and rejected Philips' trade dress claim. On Windmere's antitrust claims, the jury found (after remand from the Federal Circuit) that Philips had unlawfully monopolized the rotary shaver market through predatory pricing. The jury awarded Windmere almost $90 million (after trebling); Windmere and Philips settled for $57 million while this judgment was on appeal in the Federal Circuit.[7]

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[5] Izumi paid for Windmere's defense against the patent and trade dress claims under a contractual indemnification arrangement, but not for the prosecution of Windmere's antitrust counterclaims.

[6] The first trial was held in 1986 and involved all three claims. After an appeal to the Federal Circuit on Windmere's antitrust claim and an order for a new trial by the District Court on Philips' trade dress claim, there was a 1990 retrial of those two claims.

[7] Pursuant to the settlement, Philips and Windmere filed a joint motion to vacate the Florida antitrust and unfair competition judgment entered against Philips. The Federal Circuit rejected Izumi's attempt to intervene to oppose vacatur and granted the motion to vacate. *U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728 (Fed. Cir. 1992). This Court granted Izumi's petition for a writ of certiorari to review the propriety of the Federal Circuit's practice of vacating judgments where the parties settle. After briefing and oral argument, this Court dismissed the petition as improvidently granted on the ground that the petition did not fairly include the issue whether Izumi was properly denied intervention. *Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp.*, 114 S. Ct. 425 (1993) (per curiam). Subsequently, in *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 115 S. Ct. 386 (1994), this Court decided that the practice of vacating upon settlement is indeed improper, in part relying on Justice Stevens' dissent in *Izumi v. Philips, supra*.

Izumi has filed a separate lawsuit against Windmere in Florida claiming, among other things, a contractual entitlement to a portion of the settlement of Windmere's antitrust claim.

The Present Illinois Action

While the Florida case was still in its early stages, Philips instituted the present lawsuit relating to Izumi shavers sold by Sears Roebuck & Co. ("Sears"). Here, Philips accuses Sears of infringing the same cutter blade-spacing patent that was the subject of its Florida complaint (and also a design patent), and again names Izumi as a codefendant which allegedly induced infringement. Again, Philips also claims trade dress infringement by the seller (Sears in this case), repeating the allegations made in the Florida case that the exterior designs of shavers copied Philips' shavers.[8]

Faced with this second lawsuit by Philips, Izumi decided to assert antitrust and related counterclaims seeking the damages it had suffered from Philips' various activities to preserve its rotary-shaver monopoly by preventing or restricting sales of Izumi shavers in the United States market. Izumi's counterclaims allege a scheme going back to 1977 with three main elements—(a) sham litigation against Izumi in Japan, (b) illegal acquisition of the Schick trademark to preclude its use with Izumi shavers and (c) predatory pricing designed to prevent sale of Izumi-manufactured shavers.

Izumi filed these antitrust counterclaims in the present Illinois case approximately eight months before the first trial in Florida. Phillips answered Izumi's counterclaims on the merits without suggesting any Rule 13(a) obstacle; indeed, its subsequent October 16, 1985 Report to the Court on Settlement Discussions and Discovery expressly referred to Izumi's antitrust claims as "permissive counterclaims." Philips changed its position after the first Florida trial (which gave Philips an antitrust victory for the moment) to argue, among other things, that Izumi's antitrust claims were barred in the present Illinois action be-

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[8] As with Windmere in Florida, Izumi is paying for Sears' defense under an indemnity contract. Here, as there, Izumi is not named in the trade dress count.

cause they should have been brought as compulsory counterclaims in Florida. The District Court accepted Philips' position and dismissed Izumi's antitrust claims on Rule 13(a) grounds. (App. B, 19a-29a). It also denied successive requests for reconsideration. (*See* Apps. C and D, 30a-31a and 40a-41a, respectively).

In November 1992, the District Court certified the compulsory counterclaim question and another separate question for interlocutory appeal pursuant to 28 U.S.C. § 1292(b).[9] It framed this question as follows:

> Whether Izumi is barred from pursuing its antitrust counterclaims on the basis that such counterclaims were compulsory counterclaims in a previously filed action of *U.S. Philips Company et al., v. Windmere Corp., et al.,* which could not be asserted in this action, and whether Izumi has standing to raise these particular counterclaims.

(App. E, 57a-59a).

The Court of Appeals Decision

The Federal Circuit's decision below affirmed the dismissal of Izumi's antitrust counterclaims, over a dissent by Senior Judge Friedman, without ever addressing the certified question. Instead, the majority framed its inquiry as "not simply whether Izumi's antitrust counterclaims were 'compulsory' in the technical definition of this term, but whether they were required to be brought by Izumi on the particular facts of this case." (App. A, 5a-6a). It concluded that "[*a*]*lthough the Illinois court did not mention this ground,* we think that judicial estoppel provides a sound rationale for affirmance of the district court's decision," and that it was free to interpose that rationale because "[a]ppellate review of the inter-

[9] The second question concerned the collateral estoppel effect of the vacated Florida trade dress judgment on the trade dress claim asserted in Illinois against Sears (but not Izumi). The Federal Circuit's decision of that question will be the subject of a separate petition for a writ of certiorari filed by Sears.

locutory order is not confined to the precise questions certified by the district court." (App. A, 9a) (emphasis added). It did so notwithstanding the fact that judicial estoppel had not been discussed either in the District Court decision or in the appellate briefs.

The Court of Appeals derived its judicial estoppel rationale from three findings: (1) that "Izumi was present as a party, then as a witness, and as indemnitor" in the Florida action where codefendant Windmere litigated similar antitrust counterclaims (App. A, 6a); (2) that Izumi failed to seek permission to add its own counterclaims in Florida after the Illinois District Court "admonished" Izumi to do so (*id.*); and (3) that Izumi joined Windmere in a recommendation regarding the trial sequence to be followed in Florida, which persuaded that court that there was sufficient evidentiary overlap between Philips' intellectual property claims and Windmere's antitrust claims to warrant trying them together (App. A, 6a-7a).

The dissent expressed the view that the issue whether or not Izumi's counterclaims should have been brought in the Florida action was solely a question of interpretation of the compulsory counterclaim criterion of Rule 13(a)—"whether the counterclaim arose out of the same transaction or occurrence that was the subject of Philips' patent infringement suit in the Florida court against Windmere and Izumi." (App. A, 15a). The dissent concluded that it did not, and therefore "Rule 13 teaches that the claimant may litigate the counterclaim despite its failure to assert or litigate the claim in a prior case in which it could have done so." (App. A, 16a). The fundamental flaw in the majority's reliance on the alternative ground of judicial estoppel—for which there was no direct precedent—was that "[f]or all practical purposes, . . . the counterclaim is treated as compulsory without making the inquiry that Rule 13 prescribes as the basis for determining that question." (App. A, 15a).

REASONS FOR GRANTING THE PETITION

As we shall show, there are alternative reasons why this Petition should be granted. At a minimum, it should be held for appropriate disposition in light of *Yamaha Motor Corp., U.S.A. v. Calhoun*, 115 S. Ct. 1998 (1995). In *Yamaha*, the Court has *sua sponte* asked the parties to brief the question of appellate jurisdiction under 28 U.S.C. § 1292(b) that is the first question presented by this Petition. Section I of this Petition shows that there are indeed sound reasons for granting certiorari to give plenary consideration to that question in the present case; it is presented here in a more clear-cut form than in *Yamaha*, and in an adversarial framework where both sides of the question will be argued, whereas in *Yamaha* both briefs on the merits argue in common that the lack of certification under § 1292(b) should be no obstacle to reaching the substantive issue decided by the Court of Appeals. Section II shows the importance of the judicial estoppel issue that the Federal Circuit chose to decide in this case, and that it will warrant plenary consideration if this Court determines that it was properly entertained.

I. THIS CASE RAISES SQUARELY, AND IN AN ADVERSARIAL FRAMEWORK, THE QUESTION OF THE SCOPE OF APPELLATE JURISDICTION UNDER 28 U.S.C. § 1292(b) WHICH THIS COURT PLANS TO CONSIDER THIS TERM IN *YAMAHA MOTOR CORP. v. CALHOUN*.

In granting certiorari in *Yamaha*, this Court ordered the parties to brief the following additional question:

> Under 28 U.S.C. Section 1292(b), can the Courts of Appeals exercise jurisdiction over any question that is included within the order that contains the controlling question of law identified by the District Court?

115 S. Ct. at 1998. Here, as there, a court of appeals has reached out to decide an interlocutory appeal on an alternative ground as to which no question was certified

by the district court. There, the Third Circuit decision rested on a choice of state law when the certified question was whether the District Court had properly interpreted a rule of federal maritime law. Here, the Federal Circuit decision rests on an appellate finding of judicial estoppel when the certified question was whether the district court had properly barred the antitrust claims under the compulsory counterclaim rule.

Because the same question is presented here, it would be appropriate—at a minimum—for this Court to hold this Petition for appropriate disposition in light of the outcome in *Yamaha.*[10] Under all the circumstances, however, it would be more appropriate to grant this Petition for plenary consideration of the same question in this case, as well as for consideration of the other question presented in the event this Court holds that the Court of Appeals properly reached the judicial estoppel issue.

There are two reasons why this Court should grant rather than hold this Petition with respect to the § 1292(b) issue:

First, this case presents a more clear-cut example than *Yamaha* of appellate excursion beyond the question certified. In *Yamaha,* the district court had explicitly (and necessarily) decided that state law did not apply before it proceeded to fashion the federal maritime law rule which it certified. *Calhoun v. Yamaha Motor Corp., U.S.A.*, 40 F.3d 622, 624 (3d Cir. 1994), *cert. granted in part & denied in part,* 115 S. Ct. 1998 (1995). Accordingly, it can fairly be said that it was necessary for the Third Circuit to review the choice of law question in order to determine whether the certified question was meaningful or moot. *See id.* at 626. Here, in contrast, the Federal Circuit had no reason to *sua sponte* raise,

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[10] Under this approach, if the Court holds in *Yamaha* that the Court of Appeals' jurisdiction was limited to the certified question, it should grant the present Petition, vacate the judgment of the Federal Circuit and remand for the Federal Circuit to decide the compulsory counterclaim issue.

consider and decide the judicial estoppel issue in order to render a meaningful decision on the certified question of the applicability of the compulsory counterclaim rule. It apparently did so to evade decision of the certified question, and this focuses more precisely the issue that we believe concerns this Court in *Yamaha*.

Second, consideration of the § 1292(b) issue in *Yamaha* will be further hindered by the fact that the briefs filed by both sides seek to bypass that issue; both argue in harmonious voices that the Court of Appeals did properly reach the non-certified question there. Here, in contrast, Petitioner Izumi will vigorously argue that it was improper for the Court of Appeals to insert a judicial estoppel issue when the certified question involved only the applicability of the compulsory counterclaim rule upon which the District Court had relied.[11]

II. THE DISARRAY AMONG LOWER FEDERAL COURT DECISIONS INCREASINGLY RELYING ON JUDICIAL ESTOPPEL RAISES AN IMPORTANT QUESTION WHICH THIS COURT SHOULD ADDRESS.

A. The Judicial Estoppel Doctrine Has Had A Rapid But Undisciplined Growth In Recent Years, Leading To Inconsistency And Confusion Requiring Guidance And Supervision By This Court.

Until recently, it was rare for a federal court to invoke judicial estoppel. Our research has uncovered only one published federal court of appeals decision for the entire

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[11] We will argue, *inter alia*, that the principle underlying *Swint v. Chambers County Comm'n*, 115 S. Ct. 1203, 1209-10 (1995)—that the extent to which interlocutory appeals should be allowed is committed to district court discretion under § 1292(b)—negates the freewheeling approach of the Federal Circuit. The approach in *Yamaha* might be justified in that *Swint* left room for possible expansion of appellate jurisdiction to encompass "inextricably intertwined" issues. 115 S. Ct. at 1212. Here, however, the issues are distinct.

decade of the 1970s relying on "judicial estoppel." [12] In just the first five years of the present decade, however, judicial estoppel has been relied on by courts of appeals in 23 cases and considered in 68 others. The following charts demonstrate the dramatic growth of the doctrine in the federal courts:

COURTS OF APPEALS

	Judicial Estoppel Raised	Judicial Estoppel Found
1970-79 (10 years)	13	1
1980-89 (10 years)	62	12
1990-94 (5 years)	91	23

DISTRICT COURTS

	Judicial Estoppel Raised	Judicial Estoppel Found
1970-79 (10 years)	18	6
1980-89 (10 years)	105	19
1990-94 (5 years)	163	42

Appendix H to this Petition (51a-65a) lists the citations of the courts of appeals decisions during these three periods where "judicial estoppel" was raised and found.

[12] Our research was limited to courts' explicit use of the term "judicial estoppel." It is, of course, conceivable (though not at all obvious) that similar or related concepts may have been applied under different terminology.

This Court has not had occasion to give guidance to the lower courts about the circumstances, if any, where judicial estoppel may properly be invoked. This has resulted in considerable variance among courts as to the availability, scope and applicability of the doctrine. As the First Circuit has commented, "[t]he specific requirements [of the doctrine] are 'rather vague' and vary . . . from circuit to circuit." *Patriot Cinemas, Inc. v. General Cinema Corp.*, 834 F.2d 208, 212 (1st Cir. 1987). *Young v. United States Department of Justice*, 882 F.2d 633, 639 (2d Cir. 1989), *cert. denied*, 493 U.S. 1072 (1990) agreed that "[t]he circumstances under which the doctrine could be applied are far from clear." The District of Columbia and Tenth Circuits continue to reject the concept entirely. *United Mine Workers of America 1974 Pension v. Pittston Co.*, 984 F.2d 469, 477 (D.C. Cir. 1993); *Chrysler Credit Corp. v. Country Chrysler, Inc.*, 928 F.2d 1509, 1520 n.10 (10th Cir. 1991). The Federal Circuit itself has previously recognized that "[b]ecause of the absence of defined principles, the doctrine has been criticized, as it is basically an 'ad hoc' decision in each case." *Jackson Jordan, Inc. v. Plasser American Corp.*, 747 F.2d 1567, 1579 (Fed. Cir. 1984) (citing *Bertha Bldg. Corp. v. National Theatres Corp.*, 248 F.2d 833, 836 (2d Cir. 1957) (Hand, J., dissenting), *cert. denied*, 356 U.S. 936 (1958)). The decision below was just such an "ad hoc" resort to judicial estoppel.

Among the majority of circuits that recognize judicial estoppel, the rules articulated for its application vary significantly. Some courts have viewed judicial estoppel as applicable only where a party took inconsistent positions on a matter of fact. *E.g., Bates v. Long Island R.R.*, 997 F.2d 1028, 1037-38 (2d Cir.), *cert. denied*, 114 S. Ct. 550 (1993); *Tenneco Chems., Inc. v. William T. Burnett & Co.*, 691 F.2d 658, 664 (4th Cir. 1982). Others have extended the concept to apply also to inconsistent legal positions. *In re Cassidy*, 892 F.2d 637, 641-42 (7th

Cir.), *cert. denied*, 498 U.S. 812 (1990); *Hardwick v. Cuomo*, 891 F.2d 1097, 1105 n.14 (3d Cir. 1989). While most require that the first court have adopted the prior inconsistent position, *United States v. Owens*, 54 F.3d 271, 275 (6th Cir. 1995); *see Morris v. California*, 966 F.2d 448, 452-53 (9th Cir.), *cert. denied*, 113 S. Ct. 96 (1992), that requirement has not been uniformly applied, *see id.; AFN, Inc. v. Schlott, Inc.*, 798 F. Supp. 219, 224-25 & n.7, 227 (D.N.J. 1992). Some courts do not require any form of reliance, prejudice or harm to the opponent, *Teledyne Indus., Inc. v. NLRB*, 911 F.2d 1214, 1220 (6th Cir. 1990); *In re Cassidy*, 892 F.2d at 641 n.2, but others hold that "[t]he key ingredient . . . is reliance," *Young v. United States Department of Justice*, 882 F.2d at 639; *see Jackson Jordan, Inc. v. Plasser American Corp.*, 747 F.2d at 1580.

Plainly, the growth of the judicial estoppel doctrine in the lower courts is an important development characterized by a lack of definition and confusion among the circuits that calls for clarification by this Court.

B. The Decision Below Exemplifies The Standardless Manner In Which The Judicial Estoppel Doctrine Is Increasingly Being Applied In The Lower Courts.

The entirety of the Court of Appeals' articulation of judicial estoppel standards was as follows:

> Judicial estoppel is an equitable principle that holds a party to a position on which it prevailed, as against later litigation arising from the same events . . . . The doctrine of judicial estoppel is directed to the preservation of the integrity of judicial proceedings by protecting against litigants who " 'play fast and loose with the courts.' "

(App. A, 7a (citations omitted)). The Court of Appeals barred Izumi from asserting its antitrust counterclaims in this case because it gathered "the firm impression that Izumi has 'played fast and loose with the courts' " by

standing by while Windmere litigated somewhat similar claims in Florida, failing to follow the Illinois court's advice to seek to add its claims to the Florida litigation, and expressing the view that evidentiary overlap between Windmere's counterclaims and Philips' intellectual property claims warranted trying them together in Florida. Based on this "impression," the Federal Circuit held Izumi's Illinois counterclaims "judicially estopped" without regard to whether they were permissive counterclaims under Rule 13.

This was not a situation where Izumi had made any factual representation to the Florida court or even a legal representation that its potential antitrust claims fell within the compulsoriness criteria of Rule 13(a). To the contrary, all of the parties in Florida and the Florida judge uniformly characterized Windmere's antitrust claims as *permissive* counterclaims.[13] The position taken by Windmere and Izumi on the sequence of the Florida trial had nothing to do with the very different question whether the antitrust counterclaims might be compulsory under Rule 13(a). That position focused only on the Florida court's discretion, under Fed. R. Civ. P. 42(b), to determine whether the patent claims should be tried separately or together with Windmere's antitrust claims as a matter of convenience, expedition and economy; it said nothing about the Rule 13(a) "transaction or occurrence" test.

In the last analysis, the decision below reflects a generalized notion that it would have been more efficient if

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[13] *E.g.*, Transcripts of July 9, 1985 and August 30, 1985 in *U.S. Philips Corp. et al v. Windmere Corp. et al.*, S.D. Fla. No. 84-2508. This characterization applies equally to Izumi's present counterclaims, which Philips, the Illinois District Court and the Court of Appeals have all treated as substantially identical to Windmere's Florida counterclaims. (*See* App. B at 28a; App. A at 4a, 8a). Accordingly, the only inconsistency on this subject has come from Philips, which has contradicted not only the statements it made to the Florida court but also its initial reference to Izumi's claims in the Illinois District Court as permissive counterclaims (*see supra* p. 5).

Izumi had relinquished its Rule 13(b) right to choose the forum for its antitrust claims against Philips and that it should be penalized for failing to do so. If the concept of judicial estoppel can be expanded in this manner, it threatens to become a powerful but uncontrolled tool for overriding procedural rights that other doctrines and rules ostensibly guarantee. This is an important issue requiring this Court's attention.[14]

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[14] Other courts have also expanded amorphous notions of "fast and loose conduct" to avoid deciding cases under established rules. In *Patriot Cinemas, Inc. v. General Cinema Corp.*, 834 F.2d 208, the plaintiff had told a state court that it did not intend to pursue a state antitrust claim, but then sought to avoid mootness of its appeal from a federal dismissal of a removed earlier action by stating a month later that it would prosecute such a claim if all of its other claims failed in light of problems that had come to its attention in the interim. The First Circuit acknowledged that this case "is different from the 'classic' case of judicial estoppel," *id.* at 214, but held that the statement to the state court justified dismissal of the appeal. In *Oneida Motor Freight, Inc. v. United Jersey Bank*, 848 F.2d 414 (3d Cir.), *cert. denied*, 488 U.S. 967 (1988), the plaintiff had failed to assert a claim during bankruptcy proceedings despite its opportunity to do so. After the plaintiff was discharged from bankruptcy, it initiated suit against a bank which had been a creditor in the prior bankruptcy proceeding. The Third Circuit, over a vigorous dissent, invoked judicial estoppel to bar the claim. Focusing on generalized interests of finality and disclosure in Chapter 11 bankruptcy proceedings, the Third Circuit majority found that judicial estoppel was appropriate because the current suit exposed a position which was "clearly contrary to [plaintiff's] treatment of the bank's claim as undisputed." *Id.* at 419. The dissent argued that judicial estoppel was unjustified because no compulsory counterclaim rule required the plaintiff to assert its claim in the bankruptcy case, the plaintiff had "never represented that it would not press a claim against the bank," and thus the plaintiff "never assumed a position which its current actions repudiate." *Id.* at 423.

C. The Dismissal Of Izumi's Counterclaims Is Inconsistent With Rule 13 Of The Federal Rules Of Civil Procedure And With Decisions Of This Court Applying It.

As Senior Judge Friedman's dissent pointed out, it should be an elementary proposition that a counterclaim can be brought in a second action if it was not compulsory in the prior action within the meaning of Rule 13(a) —that is, unless it "ar[ose] out of the transaction or occurrence that [was] the subject matter of the opposing party's claim" in the prior action. While the District Court made such a determination, the dissent readily concluded that it was erroneous and the majority chose to avoid any analysis of the Rule 13 criteria. In practical effect, however, the majority has established a whole new basis for treating a claim as if it were a compulsory counterclaim. In so doing, its decision flies in the face of the regime defined by this Court (with the approval of Congress) in adopting the Federal Rules of Civil Procedure.

Apart from the jurisprudential impropriety of engrafting requirements additional to those specified in Rule 13(a), the Court of Appeals' approach undermines the Federal Rules' intent to provide simple and clear rules of pleading, by making the question whether or not a party's answer should have included a counterclaim depend upon subsequent developments in the course of the litigation, up to and including determination of the format of the trial. This Court should exercise its supervisory power to prevent such distortion of the letter and spirit of the Rules.

Rule 13 focuses on the relationship between the claim alleged in the plaintiff's complaint and the defendant's potential counterclaim. The only issues raised by Philips' complaint against Izumi in Florida were whether the cutter blade-spacing ('301) patent was infringed, whether the '301 patent was valid and the amount, if any, of resulting damages to Philips. Izumi's antitrust claims allege

sham litigation in Japan, foreclosure of the Schick tradename and predatory pricing. Plainly, these were separate transactions and occurrences which Rule 13(b) permitted to be the subject of permissive counterclaims at a later time. The District Court's Rule 13(a) theory was based on the immaterial notion that these claims were "logically related" because both involved factors contributing to Philips' large market share. (App. A, 31a). Such an approach would, however, make virtually all antitrust and patent infringement claims compulsory to each other, because both types of claims will invariably focus on aspects of the parties' relative competitive positions. It would improperly require any patent defendant to assert immediately any antitrust claim it might potentially have thereby multiplying the complexity of already complex litigation.

In *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661, 671 (1944), this Court held the opposite—that antitrust claims are never compulsory to a suit for patent infringement and therefore are not barred when asserted in a later action. Izumi is in a much stronger position than the *Mercoid* plaintiff, whose entire antitrust claim was based on the patentee's alleged misuse of the patent, which is not the main focus of the antitrust claims here. Whatever may be the continuing vitality of *Mercoid* on its facts, the flat contradiction of its holding in the District Court's ruling would raise important issues warranting plenary review if that had been the basis for the Court of Appeals' decision.

Barring Izumi's antitrust claims under Rule 13(a) would, moreover, conflict with *Southern Construction Co. v. Pickard*, 371 U.S. 57 (1962), which held that if a counterclaim is compulsory in two pending actions, the defendant may file it in either the first or the second action at its choice; under these circumstances assertion of the counterclaim in the later action "by no means involved the circuity of action that Rule 13(a) was

aimed at preventing." *Id.* at 60-61. If Izumi's antitrust claims were construed to be compulsory counterclaims, Izumi would be in exactly the same position as the *Southern Construction* defendant, because Philips brought substantially identical claims of inducing infringement of the same '301 patent in each case, and both cases were pending at the time when Izumi filed its antitrust counterclaims in Illinois.[15]

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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[15] The Court of Appeals attempted to distinguish *Southern Construction* on the ground that it did not permit the defendant to litigate its counterclaim in both forums. (App. A, 6a). This attempted distinction, like that of *Mercoid (id.)*, rests on the unfounded premise that somehow Izumi did litigate its antitrust claims in Florida. It was only the separate codefendant Windmere that did so.